

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3534-03
Bill No.: Perfected SS for SB 618
Subject: Insurance - Medical; Health Care Professionals
Type: Original
Date: February 4, 2010

Bill Summary: Requires health carriers to provide coverage for the diagnosis and treatment of autism spectrum disorders under certain conditions.

FISCAL SUMMARY

| ESTIMATED NET EFFECT ON GENERAL REVENUE FUND | | | |
|---|--------------------------------------|--------------------------------------|--------------------------------------|
| FUND AFFECTED | FY 2011 | FY 2012 | FY 2013 |
| General Revenue | (Unknown, up to \$28,846,922) | (Unknown, up to \$29,393,845) | (Unknown, up to \$29,393,845) |
| | | | |
| Total Estimated Net Effect on General Revenue Fund | (Unknown, up to \$28,846,922) | (Unknown, up to \$29,393,845) | (Unknown, up to \$29,393,845) |

| ESTIMATED NET EFFECT ON OTHER STATE FUNDS | | | |
|--|--------------------------------------|--------------------------------------|--------------------------------------|
| FUND AFFECTED | FY 2011 | FY 2012 | FY 2013 |
| Insurance Dedicated | (Unknown) | (Unknown) | (Unknown) |
| County Foreign/ County Stock | 0* | 0* | 0* |
| Road | (Unknown exceeding \$50,000) | (Unknown exceeding \$100,000) | (Unknown exceeding \$100,000) |
| Conservation | (Unknown exceeding \$50,000) | (Unknown exceeding \$100,000) | (Unknown exceeding \$100,000) |
| Other | (\$110,575) | (\$221,150) | (\$221,150) |
| Total Estimated Net Effect on Other State Funds | (Unknown exceeding \$210,575) | (Unknown exceeding \$421,150) | (Unknown exceeding \$421,150) |

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 11 pages.

| ESTIMATED NET EFFECT ON FEDERAL FUNDS | | | |
|---|--------------------|--------------------|--------------------|
| FUND AFFECTED | FY 2011 | FY 2012 | FY 2013 |
| Federal | (\$193,081) | (\$386,163) | (\$386,163) |
| | | | |
| Total Estimated Net Effect on <u>All</u> Federal Funds | (\$193,081) | (\$386,163) | (\$386,163) |

| ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE) | | | |
|---|----------|----------|----------|
| FUND AFFECTED | FY 2011 | FY 2012 | FY 2013 |
| | | | |
| | | | |
| Total Estimated Net Effect on FTE | 0 | 0 | 0 |

☒. Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

| ESTIMATED NET EFFECT ON LOCAL FUNDS | | | |
|--|---|---|---|
| FUND AFFECTED | FY 2011 | FY 2012 | FY 2013 |
| Local Government | (Unknown, could exceed \$28,305,265) | (Unknown, could exceed \$28,305,265) | (Unknown, could exceed \$28,305,265) |

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Elementary and Secondary Education (DES)** assume the proposal will have no fiscal impact on their department, but state there will be increased costs to all insurance patrons, including self-insured school districts. DES officials state there is not way to estimate the increase in costs.

Oversight assumes unknown costs for self-insured public school districts.

In response to similar legislation from the current session, officials from the **Department of Public Safety (DPS) - Director's Office** defer to the Missouri Consolidated Health Care Plan for response regarding the potential fiscal impact of this proposal on their organization.

In response to similar legislation from the current session, officials from the **DPS - Missouri State Highway Patrol** deferred to the Missouri Department of Transportation for response regarding the potential fiscal impact of the proposed legislation on their organization.

Officials from the **Department of Insurance, Financial Institutions, and Professional Registration (DIFP)** state it is doubtful that Missouri could collect premium taxes from policies written by unlicensed foreign insurers. The estimated loss of Premium Tax is unknown, but estimated to be as high as \$56.6 million (the premium amount collected in CY 08). -Premium tax revenue is split 50/50 between GR and the County Foreign Insurance Fund except for domestic Stock Property and Casualty Companies who pay premium tax to the County Stock Fund. The County Foreign Insurance Fund is later distributed to school districts throughout the state. County Stock Funds are later distributed to the school district and county treasurer of the county in which the principal officer of the insurer is located. It is unknown how each of these funds may be impacted.

In addition, Missouri could potentially lose insurance company licensure fees as companies in surrounding states would no longer need to be licensed to do business in the state of Missouri. At this time, the loss to the Insurance Dedicated Fund is unknown.

Officials from the **Missouri Department of Transportation (DOT)** state that currently their plan excludes services and supplies for conditions related to autistic disease of childhood, milieu therapy, learning disabilities, mental retardation, or for inpatient admission for environmental change if the medical claims are recognized as services for autistic disease.

ASSUMPTION (continued)

The actuary for the DOT/MHP (Highway Patrol) Medical Plan (Plan), Watson Wyatt Worldwide, has researched the fiscal impact if the Plan is required to provide this coverage. It is likely that the DOT is currently covering a substantial part of the costs for these claimants already, under the medical/prescription benefits of the Plan. The best source of data is a study performed by a Harvard School of Public Health professor. Assuming the DOT population has incidence similar to the estimate in the study (1.0 million to 1.5 million out of a total U.S. population of 300 million), that would suggest approximately 0.3% - 0.5% of DOT's and MHP's active membership, or about 48 - 80 members, an unknown number which would be children, would have autism spectrum disorder.

Using the average cost of \$29,000 for medical treatment as listed, the total cost for these individuals might be as high as \$2.3 million. However, costs are going to vary widely depending on the individual and the Plan may currently cover 75% or more of this cost under the plan.

Therefore, although there will not be a fiscal impact to the Missouri Highway and Transportation Commission (MHTC), there would be a fiscal impact to the Plan. The impact cannot be determined, but is assumed to be greater than \$100,000 annually.

Officials from the **Missouri Department of Conservation (MDC)** state the proposed legislation would have a fiscal impact on MDC funds. The exact amount of the impact is unknown, but is expected to exceed \$100,000 annually.

Officials from the **Missouri Consolidated Health Care Plan (HCP)** state the legislation would require the HCP to provide coverage for Autism Spectrum Disorders (ASD), specifically requiring coverage for Applied Behavioral Analysis (ABA) therapy for children less than 21 years of age. According to the Center for Autism and Related Disorders, ABA is defined as, "The process of systematically applying interventions based upon the principles of learning theory to improve socially significant behaviors to a meaningful degree, and to demonstrate that the interventions employed are responsible for the improvement in behavior."

The Department of Insurance, Financial Institutions, and Professional Registration provided the HCP with an Actuarial Cost Estimate conducted by Oliver Wyman in February, 2009, that looks at the potential costs associated with ASD and mandating ABA therapies. Their study reported that implementing the mandate would cause health insurance premiums to increase by less than 1%. Although the HCP has not conducted its own study, it is relying on other actuaries certifying the methodology in the Oliver Wyman study.

ASSUMPTION (continued)

The Centers for Disease Control (CDC) and Harvard Medical School released joint reports in the October 5, 2009 issue of *Pediatrics* finding that the ratio of children with ASD is approximately 1 out of 91 U.S. children.

An October 29, 2007 study, “Management of Children with Autism Spectrum Disorders” published in *Pediatrics* reported “...the effectiveness of ABA-based intervention in ASD has been well documented through five decades of research...Children who receive early intensive behavioral treatment have been shown to make substantial, sustained gains in IQ, language, academic performance and adaptive behavior...” Therefore, the expenditure projected reflects costs based on age and utilization required to fund the mandate in FY 11. It is unknown how many children will actually qualify or will require ABA treatment since diagnosis, assessment and treatment standards are not in place (Missouri 2007 Blue Ribbon Panel on Autism recommendations #17 and #21).

The HCP currently covers 31,286 children in the State plan and 203 children in the Public Entity Plan under the age of 21. Age categories are broken down in the chart below along with the projected utilization rates by month by the Wyman Study. The utilization projection is based on: 1) The average age for a first time autistic diagnosis of age 3; 2) On the level of publicity surrounding the proposal; and 3) the rarity of insurance coverage for autism diagnoses currently. Utilization of treatment reflects 2009 actuarial studies and other states’ experience. NOTE: This is not an actuarial study of the cost of the autism proposal, but a mathematical calculator designed to show the cost to HCP based on the current Senate bill amounts and other actuarial studies.

| Age in Years | # of covered children | Prevalence rate MO = 1:158 | Duration & Utilization of ABA Treatment | |
|-------------------------|--------------------------|-------------------------------|--|---------------------------------------|
| | | | Utilization | Cost of ABA (Based on \$55,000/yr) |
| 3-6 | 4,210 | 26.64 | 66.7% | \$977,217 |
| 7-12 | 8,766 | 55.48 | 20% | \$610,236 |
| 13 -18 | 10,532 | 66.65 | 3% | \$109,973 |
| 19 -21 | 3,575 | 22.62 | 3% | <u>\$ 3,732</u> |
| Total FY 11 Cost | | | | <u>\$1,701,158</u> |

The HCP assumes the Missouri-specific prevalence ratio of 1:158 accurately predicts costs and that these costs would be passed directly to the HCP, requiring an additional appropriation beginning FY 11 of \$1,701,158 (approximately 0.3% of projected total FY 11 plan costs). For

ASSUMPTION (continued)

the Public Entity plan, premiums would need to be increased to cover the additional \$10,429 in increased costs estimated for FY 11. The HCP assumes costs for FY 12 and FY 13 to be approximately the same as FY 11.

| <u>FISCAL IMPACT - State Government</u> | FY 2011 (6 Mo.) | FY 2012 | FY 2013 |
|---|---|---|---|
| GENERAL REVENUE FUND | | | |
| <u>Costs - HCP</u> | | | |
| Increase in state share of health care premium costs | (\$546,922) | (\$1,093,845) | (\$1,093,845) |
| <u>Loss - DIFP</u> | | | |
| Reduction in premium taxes paid by insurance companies | <u>(Unknown, up to \$28,300,000)</u> | <u>(Unknown, up to \$28,300,000)</u> | <u>(Unknown, up to \$28,300,000)</u> |
| ESTIMATED NET EFFECT ON GENERAL REVENUE FUND | <u>(Unknown, up to \$28,846,922)</u> | <u>(Unknown, up to \$29,393,845)</u> | <u>(Unknown, up to \$29,393,845)</u> |
| INSURANCE DEDICATED FUND | | | |
| <u>Loss - DIFP</u> | | | |
| Insurance company licensing fees | <u>(Unknown)</u> | <u>(Unknown)</u> | <u>(Unknown)</u> |
| ESTIMATED NET EFFECT ON INSURANCE DEDICATED FUND | <u>(Unknown)</u> | <u>(Unknown)</u> | <u>(Unknown)</u> |

FISCAL IMPACT - State Government

FY 2011
 (6 Mo.)

FY 2012

FY 2013

**COUNTY FOREIGN/COUNTY
 STOCK FUNDS**

Income - DIFP

Reduction in premium taxes

(Up to
 \$28,300,000)

(Up to
 \$28,300,000)

(Up to
 \$28,300,000)

Transfer-Out - to Schools Fund

Reduction in premium taxes

Up to
\$28,300,000

Up to
\$28,300,000

Up to
\$28,300,000

**ESTIMATED NET EFFECT ON
 COUNTY FOREIGN/COUNTY
 STOCK FUNDS**

0*

0*

0*

ROAD FUND

Costs - DOT

Increase in state share of health care
 premium costs

(Unknown
exceeding
\$50,000)

(Unknown
exceeding
\$100,000)

(Unknown
exceeding
\$100,000)

**ESTIMATED NET EFFECT ON
 ROAD FUND**

(Unknown
exceeding
\$50,000)

(Unknown
exceeding
\$100,000)

(Unknown
exceeding
\$100,000)

| <u>FISCAL IMPACT - State Government</u> | FY 2011 (6 Mo.) | FY 2012 | FY 2013 |
|---|--|---|---|
| CONSERVATION COMMISSION FUND | | | |
| <u>Costs - MDC</u> | | | |
| Increase in state share of health care premium costs | <u>(Unknown exceeding \$50,000)</u> | <u>(Unknown exceeding \$100,000)</u> | <u>(Unknown exceeding \$100,000)</u> |
| ESTIMATED NET EFFECT ON CONSERVATION COMMISSION FUND | <u><u>(Unknown exceeding \$50,000)</u></u> | <u><u>(Unknown exceeding \$100,000)</u></u> | <u><u>(Unknown exceeding \$100,000)</u></u> |
| OTHER STATE FUNDS | | | |
| <u>Costs - HCP</u> | | | |
| Increase in state share of health care premium costs | <u>(\$110,575)</u> | <u>(\$221,150)</u> | <u>(\$221,150)</u> |
| ESTIMATED NET EFFECT ON OTHER STATE FUNDS | <u><u>(\$110,575)</u></u> | <u><u>(\$221,150)</u></u> | <u><u>(\$221,150)</u></u> |
| FEDERAL FUNDS | | | |
| <u>Costs - HCP</u> | | | |
| Increase in state share of health care premium costs | <u>(\$193,081)</u> | <u>(\$386,163)</u> | <u>(\$386,163)</u> |
| ESTIMATED NET EFFECT ON FEDERAL FUNDS | <u><u>(\$193,081)</u></u> | <u><u>(\$386,163)</u></u> | <u><u>(\$386,163)</u></u> |

*** Decrease in premium taxes and transfer to Schools Fund net to \$0.**

| <u>FISCAL IMPACT - Local Government</u> | FY 2011 (6 Mo.) | FY 2012 | FY 2013 |
|--|--|--|--|
| ALL LOCAL GOVERNMENTS | | | |
| <u>Costs - School Districts</u> | | | |
| Increase in share of health care premium costs | (Unknown) | (Unknown) | (Unknown) |
| <u>Costs - All Local Governments</u> | | | |
| Increase in share of health care premium costs | (\$5,265) | (\$5,265) | (\$5,265) |
| <u>Loss - Schools Fund</u> | | | |
| Reduction in transfer of premium taxes | <u>(Unknown, up to \$28,300,000)</u> | <u>(Unknown, up to \$28,300,000)</u> | <u>(Unknown, up to \$28,300,000)</u> |
| ESTIMATED NET EFFECT ON ALL LOCAL GOVERNMENTS | <u>(Unknown, could exceed \$28,305,265)</u> | <u>(Unknown, could exceed \$28,305,265)</u> | <u>(Unknown, could exceed \$28,305,265)</u> |

FISCAL IMPACT - Small Business

The proposal could directly impact small businesses that provide employees with health benefits if insurance premiums increase.

FISCAL DESCRIPTION

Under this proposal, health carriers that issue or renew health benefit plans on or after January 1, 2012, must provide coverage for the diagnosis and treatment of autism spectrum disorders. Coverage provided by the proposal for applied behavior analysis is subject to a maximum benefit of \$55,000 per calendar year for individuals under the age of 21.

The proposal provides the provisions of the autism mandate shall also apply to the following types of plans that are established, extended, modified or renewed on or after August 28, 2010: (1) All self-insured governmental plans, as that term is defined in 29 U.S.C. Section 1002(32); (2) All self-insured group arrangements, to the extent not preempted by federal law; (3) All plans provided through a multiple employer welfare arrangement, or plans provided through another benefit arrangement, to the extent permitted by the Employee Retirement Income Security Act of 1974, or any waiver or exception to that act provided under federal law or regulation; and (4) All self-insured school district health plans.

FISCAL DESCRIPTION (continued)

The autism mandate shall apply to any health care plans issued to employees and their dependents under the Missouri Consolidated Health Care Plan on or after January 2, 2012. Health carriers are not be required to provide reimbursement to a school district for treatment for autism spectrum disorders provided by the school district.

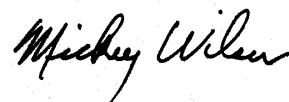
The provisions of this proposal do not apply to the MO HealthNet program.

Senate Amendment No. 3 provides that health benefit plans or health insurance policies offered, sold, or renewed in this state by a foreign insurer is exempt from provisions of chapter 375, chapter 376, or any other provision of the law for the purpose of this proposal. Missouri residents that purchase or enroll in a health insurance policy or health benefit plan lawfully sold, offered, or issued in Illinois, Arkansas, Kansas, Nebraska, Kentucky, Oklahoma, Tennessee, or Iowa shall not be subject to the requirements of this chapter or its accompanying regulations, and the foreign insurer, shall not be subject to regulation under this chapter with regard to the policy or plan except for enforcement of the contractual benefits under the policy.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Elementary and Secondary Education
Department of Insurance, Financial Institutions, and Professional Registration
Missouri Department of Transportation
Department of Public Safety -
 Director's Office
 Missouri State Highway Patrol
Missouri Consolidated Health Care Plan
Missouri Department of Conservation



Mickey Wilson, CPA

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